Electronic Journal of Education, Social Economics and Technology
Vol. 6, No. 1, (2025), pp. 1312~1321
ISSN 2723-6250 (online)
DOI: https://doi.org/10.33122/ejeset.v6i1.516

SAINTIS publishing

Research Article

The Role of Operational Efficiency, Liquidity, Leverage, and Company Growth on Company Value at IDX

Nurfa Rini Husvifa*, Suhardi, Jufrisani Akbar

Management Study Program, Faculty of Economics and Business, Universitas Pertiba, Pangkalpinang, Indonesia, 33125
*Corresponding Author: nurfarinihusvifa@gmail.com | Phone: +6285694389054

ABSTRACT

This study aims to analyze the influence of Return on Assets, Current Ratio, Debt to Equity Ratio, and company growth on the company's value variables using panel data regression. The sample in this study is pharmaceutical sector companies listed on the Indonesia Stock Exchange from 2019-2023. The results of the study show that ROA and CR have a positive and significant influence on the company's value variables. The DER and GROWTH variables have no significant influence on the company's value variables. Based on the results of the research, the next research can consider the addition of other variables that have the potential to have more influence on dependent variables, such as capital structure, operational efficiency, or external factors such as macroeconomic conditions. To obtain more accurate results, future research may try to use other regression methods, such as the Fixed Effect Model (FEM) or the Generalized Method of Moments (GMM), which may be more appropriate in capturing relationships between variables. This study only used a limited sample of certain companies. Subsequent studies may also expand the scope by examining different industry sectors or comparing results between large and small companies to understand broader dynamics, including considering using data over a longer period, as well as considering the effects of market dynamics and changes in economic policies.

Keywords: Return on Assets; Current Ratio; Debt to Equity Ratio; Company Growth; Company Value

1. INTRODUCTION

The valuation of a company serves as a pivotal indicator that investors utilize to evaluate the potential future performance and prospects of that particular organization within the market landscape. A widely recognized metric for this purpose is known as Tobin's Q, which serves to provide insight into the manner in which the market perceives the worth of a company's assets relative to the recorded book value of those very assets, as articulated by the research conducted by Chung and Pruitt in 1994. In the specific context of the Indonesia Stock Exchange, often abbreviated as IDX, the overall value of a company is subject to the influence of a multitude of factors that encompass aspects such as operational efficiency, liquidity, levels of leverage, and the rate of growth exhibited by the company. Recent academic inquiries and research endeavors have indicated that these various factors are not only interconnected through a complex web of relationships but are also susceptible to the overarching effects of macroeconomic conditions, as well as the strategic policies implemented by the companies themselves, as highlighted in the findings presented by Rahman and colleagues in 2021.

Operational efficiency reflects how effective a company is in managing resources to produce maximum output at minimal cost (Farooq & Shehata, 2020). Companies that have high operational efficiency tend to be more competitive and able to increase their profitability, which ultimately contributes to increased company value (Chen et al., 2021). Other studies have also shown that companies with high levels of operational efficiency are more attractive to investors because they are able to optimize their resources more effectively (Zhang & Liu, 2022). Liquidity describes a company's ability to meet its short-term obligations and is often associated with the company's financial stability (Bolek & Wilinski, 2020). A high level of liquidity can give a positive signal to investors that the company has strong financial capacity, but on the other hand, excess liquidity can indicate the existence of idle funds that are not being utilized optimally (Salehi et al., 2021). Therefore, proper liquidity management is an important factor in increasing a company's value (Wang & Huang, 2023).

Leverage indicates the level of debt utilization in the capital structure, which can affect a company's perception of risk and profitability (Frank & Goyal, 2019). Leverage that is too high can increase the risk of bankruptcy, but it also has the potential to increase returns to shareholders if managed properly (Jiang et al., 2022). Recent studies have found that the relationship between leverage and company value is non-linear, where moderate leverage can increase the company's value,

but excessive leverage can lower it (Kim & Nguyen, 2023). The company's growth is also an important factor because it reflects the potential for expansion and competitiveness in the market (Nguyen et al., 2021). Companies with high growth rates are more attractive to investors because they are considered to have better long-term prospects (Anwar & Sun, 2020). However, poorly planned growth can lead to increased operational costs and financial risks, which can ultimately negatively impact a company's value (Lee & Park, 2024).

This comprehensive study is meticulously designed to systematically analyze the intricate relationships and impacts of operational efficiency, liquidity, leverage, and the growth trajectory of a company on its overall valuation, which is assessed through the lens of Tobin's Q, specifically within the context of corporations that are publicly traded on the Indonesia Stock Exchange (IDX). By employing an extensive array of secondary data derived from the financial statements of these companies, this research endeavors to rigorously test the empirical correlations that exist among these critical financial factors, utilizing the sophisticated multiple linear regression analytical method as delineated by Rahman et al. (2021). The anticipated outcomes of this research are expected to furnish valuable insights and knowledge for a diverse array of stakeholders, including company managers, potential investors, and scholars, enabling them to gain a deeper understanding of the myriad factors that substantially influence corporate value within the Indonesian economic landscape. Furthermore, this investigation will also engage in a comparative analysis of the findings about previous academic studies, thereby facilitating an assessment of whether the trends and patterns that have been identified within the IDX are indeed congruent with the empirical findings observed in other prominent financial markets, as noted by Chen et al. (2021). As such, this study not only seeks to contribute to the existing body of literature but also aims to provoke further dialogue and inquiry into the dynamics of corporate valuation in a rapidly evolving economic environment. Ultimately, the research aspires to establish a foundational understanding that can inform strategic decision-making and foster sustainable growth among companies operating in Indonesia. Further analysis will be conducted to explore whether macroeconomic factors such as interest rates and inflation have a moderating influence on the relationship between independent variables and company value (Wang & Huang, 2023). Considering recent developments in the financial literature, the study will also evaluate the impact of the COVID-19 pandemic on the relationships between the variables studied, given that the recent global economic crisis may alter capital market dynamics and corporate financial strategies (Lee & Park, 2024).

1.1 The relationship between operational efficiency and the Company's value

The relationship between operational efficiency and company value can be effectively explained through several theoretical frameworks, most notably the Resource-Based View (RBV) and Agency Theory. These theories highlight how operational efficiency not only increases profitability but also contributes to a company's competitive advantage and overall market value. In resource-based theory (RBV), Operational efficiency is seen as a core competency that allows companies to utilize their resources effectively, leading to superior performance and increased value (Kim et al., 2024). Efficient operations allow companies to differentiate themselves in the market, which is essential for maintaining competitiveness, especially in the technology-intensive sector (Mignenan & Nandingar, 2024). Whereas in agency theory, Managerial ownership changes can align interests between managers and shareholders, improving operational efficiency and, consequently, company value. This relationship is supported by empirical evidence that shows a positive correlation between managerial ownership and operational efficiency (Wang & Rowe, 2009).

Studies show a significant positive relationship between operational efficiency and stock performance, suggesting that efficient companies tend to generate higher returns (Song et al., 2014). Research also shows that operational efficiency accounts for a large part of the variance in a firm's competitiveness, which further links it to increased company value (Mignenan & Nandingar, 2024). However not all research results are linear, some studies show that the relationship works the opposite, showing a decrease in returns at higher efficiency levels (Wang & Rowe, 2009). This complexity highlights the need for a nuanced understanding of how operational practices affect a company's valuation.

The relationship between operational efficiency and company value is diverse, as evidenced by various studies. Operational efficiency, characterized by effective resource utilization and efficient processes, significantly affects a company's financial performance and overall market value. This relationship is especially seen when operational productivity is aligned with environmental performance, as companies that demonstrate high operational efficiency tend to achieve better profitability and lower operational costs, thereby improving their market valuation (Amarasuriya et al., 2024; Obeidat & Almomani, 2023). High operational efficiency correlates with an increase in financial metrics, such as profitability and cash flow, which are critical to increasing a company's value (Obeidat & Almomani, 2023; Noah, 2017). Efficient operations lead to a reduction in operational costs, directly impacting profitability and, consequently, the value of the company (Yuliana et al., 2024).

The relationship between operational efficiency and company value can also be moderated by external factors, such as major shareholding, which affect how operational performance is perceived in the market (Obeidat & Almomani, 2023). Improved market efficiency, in addition to operational efficiency, contributes to better customer satisfaction and increased market share, which further improves financial performance (Noah, 2017). While high operational efficiency is generally beneficial, an excessive focus on efficiency can lead to vulnerabilities, such as the risk of stock price falling, if companies

suppress negative information to maintain an image of efficiency (Yousefi et al., 2023). Instead, some argue that an excessive emphasis on operational efficiency can lead to inflexibility, potentially detrimental to long-term value creation. Balancing efficiency with adaptability is critical to sustainable growth and resilience in a dynamic market. Based on theoretical studies and previous research studies, the hypothesis was formulated:

H1: Operational efficiency has a significant impact on the Company's value

1.2 The relationship of liquidity to the value of the Company

The relationship between liquidity and corporate value is complex and varies across different sectors and contexts. While some studies show the negative impact of liquidity on a company's value, others show a more nuanced interaction influenced by profitability and sales growth. Understanding these dynamics is essential for effective financial management. Liquidity can negatively impact profitability, which in turn affects a company's value. Studies show a strong positive relationship between stock liquidity and company value, suggesting that companies with more liquid stocks tend to have a higher market valuation (Huang et al., 2013). Increased liquidity improves operational performance, as companies with liquid stocks can attract more investment, leading to increased profitability and growth rates (Yu & Zhou, 2019). Liquidity reduces risk for investors, making it easier to enter and exit positions without significant losses, which in turn increases demand for corporate securities (Raković, 2018). Increased liquidity can lead to lower profitability due to lack of asset utilization (Ichwanudin et al., 2025). In the banking sector, liquidity has been found to hurt a company's value, suggesting that excessive liquidity may not always be profitable (Hakim, 2024).

Sales growth plays a crucial role in moderating the relationship between liquidity and profitability, suggesting that companies with strong sales growth can better utilize liquidity to increase company value (Ichwanudin et al., 2025). Capital adequacy and credit risk also interact with liquidity to affect a company's value, emphasizing the importance of a balanced financial strategy (Hakim, 2024). In the pharmaceutical sector, liquidity has been shown to have a significant positive influence in part on a company's value, highlighting that context is important (Sari & Syahzuni, 2024). For non-cyclical consumer companies, the effect of liquidity on the value of the company is less direct, with profitability being a more critical factor (Yolanda et al., 2024). Conversely, while liquidity is often seen as a safety net, excessive liquidity can signal inefficiency, potentially leading to lower investor confidence and a decline in the value of the company. This duality underscores the need for companies to strike a balance in their liquidity management strategies. Based on theoretical studies and previous research studies, the hypothesis was formulated:

H2: Liquidity has a significant effect on the Company's value

1.3 Relationship of leverage to the value of the Company

The intricate relationship that exists between the concept of leverage and the overall valuation of a corporation can be comprehensively analyzed and understood through the implementation of significant theoretical frameworks within the domain of corporate finance, most notably including trade-off theory and pecking order theory. In the context of Trade-off Theory, it posits that corporations engage in a careful balancing act, weighing the advantageous tax benefits derived from the utilization of debt against the potential adverse consequences that may arise from experiencing financial distress or hardship. Empirical research conducted by scholars, such as Odhiambo et al. in 2024, has provided compelling evidence that indicates that a moderate level of leverage can enhance a firm's value by effectively harnessing the advantages of a tax shield; however, it is equally important to note that an excessive accumulation of debt can precipitate a state of financial instability and jeopardy for the organization. Furthermore, findings articulated by Pratt et al. in their 2023 study suggest that while the utilization of leverage can indeed serve to augment a corporation's overall value, the nature of this relationship is inherently complex and can be significantly shaped by external variables, such as changes in tax legislation and reform efforts. In contrast, the pecking order theory elucidates the preference exhibited by companies for utilizing internal sources of financing as a primary method, and posits that in scenarios where external financing becomes a necessity, firms will invariably opt for debt instruments before considering equity financing as a viable alternative. Granath and Thorsell's research shows that leverage positively affects shareholder value, in line with the implications of pecking order theory (Granath & Thorsell, 2015). The preference for debt can stem from the lower costs associated with borrowing compared to issuing new equity. But instead, some studies argue that leverage may not create value in a perfect market, as proposed by Modigliani and Miller (Kandror, 2023). This perspective emphasizes that the ideal capital structure depends on the context, suggesting that the relationship between leverage and the value of a company cannot be universally applied.

The relationship between leverage and company value is complex, with various studies showing both negative and positive effects. Generally, high leverage can lead to increased financial risk, which can adversely affect a company's market valuation. However, leverage can also increase returns when managed effectively, especially about profitability and investment decisions. High leverage increases the risk of bankruptcy, which can deter investors and lower the value of the company (Sari & Ghoniyah, 2024; Septiani et al., 2024). Companies with excessive debt may be considered less stable,

leading to a decline in stock prices (Nuryaman et al., 2024).

The results of the study also show that investment decisions, company size, and profitability simultaneously have a significant effect on the company's value. Partially, investment decisions and profitability have a positive and significant influence on the company's value, while the size of the company has no significant effect on the company's value. These findings indicate that improvements in investment decisions and profitability can increase the value of the company, while the size of the company does not directly affect the value of the company in the sample studied (Lestari, 2020).

Leverage can facilitate investment opportunities, potentially increasing the value of a company when investments yield high returns (Misrah & Arifin, 2024). In some contexts, leverage can increase the positive effect of profitability on a company's value, although this relationship is not always significant (Nuryaman et al., 2024). While leverage can provide opportunities for growth, its potential to harm a company's value through increased risk cannot be ignored. Balancing leverage with profitability and a good investment strategy is essential to maximize the value of a company. Based on theoretical studies and previous research studies, the hypothesis was formulated:

H3: Leverage has a significant effect on the Company's value

1.4 The relationship of the company's growth to the Company's value

The relationship between company growth and company value is a multifaceted concept that is explored through a variety of theoretical lenses. The main theory that explains this relationship is the signaling theory, which suggests that companies with higher growth rates send positive signals to the market, thereby increasing their perceived value. This theory is supported by empirical evidence showing that sales growth has a positive impact on a company's value, as it reflects the company's potential for future profitability and market expansion (Candani & Badera, 2022). However, this relationship is not always easy, as other factors such as profitability, environmental disclosure, and capital structure also play an important role in determining the value of a company. Signaling theory states that companies with strong growth rates signal their potential for future success to investors, thereby increasing their market value (Candani & Badera, 2022). Sales growth is directly linked to an increase in the value of the company, as it indicates strong market performance and future revenue potential (Candani & Badera, 2022)

The relationship between a company's growth and its value is complex and varies across different sectors and contexts. While some studies show a positive correlation between growth and value, others show that growth alone does not have a significant impact on a company's value. Profitability being a major driver of a company's value, research shows that profitability significantly affects a company's value, often more than the growth itself. For example, companies with higher profitability tend to be better judged in the market (Putri & Sutopo, 2024). Effects Environmental disclosure can increase the positive relationship between profitability and company value, suggesting that transparency in operations can amplify profitability benefits (Putri & Sutopo, 2024).

In the manufacturing sector, growth and profitability were found to affect the value of the company, but free cash flow did not have a significant effect (Baroroh et al., 2024). This highlights the importance of the sectoral context in understanding the dynamics of growth value. Whereas in the food and beverage sector, corporate growth has shown to have no significant impact on the value of the company, suggesting that other factors, such as financing decisions, may play a more important role (Irnawati et al., 2024). Intellectual Capital: The role of non-financial factors, such as intellectual capital, is increasingly recognized. Growth, in addition to intellectual capital and financial performance, has a positive impact on the value of the company, suggesting that growth should be seen in conjunction with these elements (Putri, 2023). Although growth is often seen as a positive indicator, its direct relationship to a company's value can be influenced by profitability, sector characteristics, and non-financial factors. This complexity suggests that stakeholders must consider a multifaceted approach when evaluating a company's value. Based on theoretical studies and previous research studies, the hypothesis was formulated:

H4: The company's growth has a significant effect on the Company's value

2. RESEARCH METHOD

This scholarly investigation employs a quantitative methodology, specifically utilizing the panel data regression analysis technique, which is widely recognized for its robustness in examining complex relationships within datasets. The rationale behind the selection of this particular methodological framework stems from its inherent capability to facilitate a comprehensive exploration of the intricate interplay between independent and dependent variables, drawing upon a rich repository of historical data that has been meticulously extracted from the financial statements of pharmaceutical enterprises that are publicly traded on the Indonesia Stock Exchange (IDX) over the designated temporal scope spanning from 2019 to 2023. The demographic focus of this research encompasses the entirety of pharmaceutical firms that are officially listed on the IDX during the aforementioned timeframe of 2019 through to 2023. To derive a suitable sample for analysis, the research adopts a purposive sampling strategy, which is characterized by the application of specific criteria; these criteria include the necessity for pharmaceutical companies to have maintained a consistent presence on the IDX

throughout the study's duration, which ranges from 2019 to 2023. Furthermore, the selected companies must possess comprehensive financial statements that have undergone thorough auditing within the designated research period, thereby ensuring the reliability and validity of the financial data utilized. Additionally, the companies must provide essential financial metrics within their statements, specifically about Return on Assets (ROA), Current Ratio (CR), Debt to Equity Ratio (DER), as well as indicators of company growth, which are critical for the analysis. Following the stringent application of these outlined criteria, a total of nine pharmaceutical companies have been identified and selected, which will serve as the focal point of analysis for this academic study. This sample is expected to yield significant insights into the financial dynamics at play within the pharmaceutical sector as represented on the IDX during the specified years. The findings derived from this research are anticipated to contribute substantially to the existing body of knowledge regarding the financial performance and operational efficiencies of these entities.

The data used in this study is secondary data obtained from the annual financial statements of pharmaceutical companies listed on IDX during the 2019-2023 period. The main data sources come from the official IDX website (www.idx.co.id) and the financial statements of each company.

1. Company Value (Y): Measured using Tobin's Q, which is calculated by the formula:

Tobin's Q = Stock Market Value / Company Net Worth

2. Return on Assets (ROA) (X1): Measured by the formula:

$$\text{ROA} = \frac{net\ profit}{total\ assets} \times 100\%$$

3. Current Ratio (CR) (X2): Measured by the formula:

$$\text{CR} = \frac{Current\ Assets}{Current\ Liability}$$

4. Debt to Equity Ratio (DER) (X3): Measured by the formula:

$$\text{CR} = \frac{total\ debt}{Equity}$$

5. Company Growth (GROWTH) (X4): Measured using the percentage of sales growth with the formula:

$$\text{Growth} = \frac{sales\ year\ t - sales\ year\ t-1}{sales\ year\ t} \times 100\%$$

The analysis of data within this research was conducted through several distinct phases: Initial Descriptive Statistical Tests were employed to delineate the principal characteristics of the dataset. The Classical Assumption Tests, encompassing assessments of normality, multicollinearity, heteroscedasticity, and autocorrelation, were performed to ascertain that the data satisfies the prerequisites for the application of panel data regression techniques. The selection of the appropriate Panel Data Regression Model involved the implementation of the Chow Test to ascertain whether to employ Common Effect or Fixed Effect models, followed by the Hausman test to differentiate between Fixed Effect and Random Effect models. Furthermore, the Lagrange Multiplier (LM) Test was utilized to decide between a Common Effect and Random Effect model. Subsequently, the Panel Data Regression analysis was executed, contingent upon the identification of the optimal model, to evaluate the impact of independent variables on the valuation of the company. Statistical Tests F and t were conducted to assess the significance of the independent variables' influence, both collectively and individually, on the dependent variables. The Coefficient of Determination (R-squared) was computed to determine the extent to which the independent variables elucidate the dependent variable in this study. The Panel Data Regression Models employed in the research are as follows:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + €_{it}$$

Where:

Yit = Company Value (PBV)

β0 = Constant

β1, β2, β3, β4 = The regression coefficient of each independent variable

X1it = LENGTH

X2it = CR

X3it = DER

X4it = Company Growth

€it = Error term

I = Third Company

t = Year t

3. RESULTS AND DISCUSSION

3.1 Research Results

Dependent Variable: Y
Method: Panel EGLS (Cross-section random effects)
Date: 03/24/25 Time: 12:22
Sample: 2019 2023
Periods included: 5
Cross-sections included: 9
Total panel (balanced) observations: 45
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.222977	0.523230	2.337363	0.0245
ROA	0.028191	0.012930	2.180293	0.0352
CR	0.367850	0.185990	1.977797	0.0549
DER	-0.019285	0.064984	-0.296772	0.7682
GROWTH	0.010126	0.015254	0.663792	0.5106

Effects Specification	S.D.	Rho
Cross-section random	0.793021	0.4684
Idiosyncratic random	0.844890	0.5316

Weighted Statistics

Root MSE	0.871130	R-squared	0.166633
Mean dependent var	0.979656	Adjusted R-squared	0.083297
S.D. dependent var	0.965039	S.E. of regression	0.923973
Sum squared resid	34.14901	F-statistic	1.999518
Durbin-Watson stat	1.429011	Prob(F-statistic)	0.113104

Unweighted Statistics

R-squared	0.256410	Mean dependent var	2.277556
Sum squared resid	81.93280	Durbin-Watson stat	0.595602

Figure 1. REM Model Test Results

Based on the comprehensive results derived from the regression analysis conducted on the panel data utilizing the Random Effect Model (REM) methodology, as illustrated in Figure 1, the ensuing analysis and discourse will be presented in detail: The constant term, denoted as C, possesses a coefficient value of 1.222977, which is accompanied by a probability value of 0.0245. This particular finding indicates that in scenarios where all independent variables are held constant at a value of zero, the estimated value of the dependent variable, represented by Y, is projected to be 1.222977. Furthermore, the observed probability value, being less than the conventional threshold of 0.05, signifies that this constant term exerts a statistically significant influence on the overall model being analyzed. In terms of the financial performance indicator known as ROA, or Return on Assets, this variable reveals a coefficient of 0.028191 paired with a probability value of 0.0352. This finding suggests that an increase in ROA by one unit correlates with a rise in the dependent variable by approximately 0.028191 units, thereby indicating a positive relationship. The probability value, which is also under 0.05, reinforces the conclusion that ROA carries a significant impact on the dependent variable in question. Moving on to the Current Ratio, abbreviated as CR, this variable is characterized by a coefficient of 0.37850 and a probability value of 0.0549. Although the coefficient indicates a positive effect on the dependent variable, the associated probability value being slightly above the 0.05 threshold implies that its level of significance is marginal and should be interpreted with caution. In examining the Debt to Equity Ratio, or DER, it is observed that this variable holds a coefficient of -0.019285 alongside a probability value of 0.7682. Such findings clearly demonstrate that DER does not exert a significant effect on the dependent variable, as evidenced by the probability value being considerably above the critical value of 0.05, thus indicating lack of statistical relevance. Lastly, the variable denoted as GROWTH is reported to have a coefficient of 0.010126 coupled with a probability value of 0.5106. In a manner akin to the findings for DER, this variable also fails to showcase a significant impact on the dependent variable, further solidifying the overall conclusion regarding the lack of significance associated with these latter variables.

The R-squared (Weighted) coefficient of 0.166833 signifies that approximately 16.68% of the variability in the

dependent variables can be elucidated by the independent variables within this framework. This implies that the model demonstrates limited efficacy in elucidating the interrelationship between independent and dependent variables. The Adjusted R-squared value of 0.098376 implies that, upon adjusting for the number of independent variables incorporated in the model, the model's predictive capability diminishes. The Prob(F-statistic) = 0.113104 suggests that the overall model lacks statistical significance ($p > 0.05$), indicating that the collective independent variables do not possess sufficient strength to account for the dependent variable. The Durbin-Watson Statistic of 1.429011 for the weighted statistic indicates the absence of significant autocorrelation issues within the model. There is a lack of direct evidence regarding the VIF (Variance Inflation Factor) in these findings, complicating the evaluation of potential multicollinearity. Nonetheless, the presence of strong correlations among independent variables may result in less reliable estimations.

3.2 The Influence of Return on Assets (ROA) on Company Value

The relationship between Return on Assets (ROA) and company value varies significantly across sectors, as evidenced by recent research. Studies show that in the retail and property sectors, ROA positively affects a company's value, suggesting that higher profitability leads to better market valuation. However, this trend is not true in the technology sector, where ROAs do not show a significant impact on company value. ROA measures a company's ability to generate profits from its assets. Research by Bitasari et al. (2024) found that ROA has a positive and significant influence on the value of companies in the retail sector listed on the Indonesia Stock Exchange (IDX) for the 2020-2023 period.

The findings presented in this research indicate a noteworthy correlation, suggesting that as the profitability of a corporate entity increases, there is a corresponding enhancement in the market valuation attributed to that company. A comprehensive investigation conducted by Octavia and Simatupang (2024) has elucidated that the Return on Assets (ROA) metric exhibits a positive and statistically significant relationship with the valuation of firms operating within the property and real estate sub-sector that are publicly listed on the Indonesia Stock Exchange (IDX) during the specified timeframe extending from 2019 to 2023. Furthermore, analogous conclusions were reached by Bitasari et al. (2024), who undertook a detailed examination of the retail industry, revealing that ROA similarly exerts a beneficial influence on the overall value of companies in that sector. A robust ROA serves as an indicator of superior financial performance, suggesting that the company in question is adept at managing its assets with a high degree of efficiency to generate profits, which in turn sends a positive signal to potential investors and contributes to the overall enhancement of the company's market value. Enterprises that demonstrate a high ROA are often in a favorable position, possessing sufficient profits that enable them to pursue expansion initiatives without necessitating additional debt financing. On the other hand, a separate study conducted by Dewi et al. (2024) has revealed that ROA does not exert a statistically significant impact on the valuation of companies operating within the technology sector, thereby implying that alternative factors may assume greater importance within this particular industry context. These discrepancies in research findings underscore the notion that the impact of ROA on a company's valuation is not uniform, but rather can differ considerably depending on the specific industry sector in question, as well as the unique circumstances surrounding each individual company.

.

3.3 The Influence of Current Ratio (CR) on Company Value

The current ratio (CR) serves as a crucial liquidity metric that quantitatively illustrates a corporation's capability to fulfill its short-term financial obligations with available assets. A comprehensive investigation carried out by Aprianti and Agustiningsih (2024), focusing on various industrial sub-sectors listed on the Indonesia Stock Exchange (IDX) during the three years from 2019 to 2021, reveals that the current ratio does not exert a statistically significant influence on the valuation of firms. This finding implies that the liquidity level of a corporation is not necessarily the primary factor that investors prioritize when evaluating the overall worth of a company. In a contrasting study conducted by Bitasari et al. (2024), it was discovered that in the retail sector, the current ratio does indeed have a negative and statistically significant impact on the valuation of companies operating within that particular industry. Meanwhile, a separate research endeavor undertaken by Fany'mah and Akhiruddin (2024) within the consumer goods industry indicates that the current ratio positively affects stock prices, which serves as one of the key indicators of a company's overall value.

In contrast to prevailing assumptions, a comprehensive report authored by Dewi et al. (2024) posits that within the realm of the technology sector, the current ratio, which is a financial metric commonly used to assess a company's liquidity and ability to cover its short-term obligations, does not exert a significant impact on the overall valuation of companies, thereby illuminating the contrasting results yielded by various empirical studies conducted in this domain. These discrepancies and inconsistencies in research findings serve to accentuate the intricate and multifaceted nature of the relationship between the current ratio and corporate value, suggesting that this relationship is far from straightforward and may be subject to influence by a myriad of factors, including but not limited to the specific industry sectors under consideration, the diverse capital structures that firms adopt, as well as the strategic approaches they implement in managing their corporate liquidity. While it is true that a high current ratio may indeed convey the message that a

corporation possesses a notable level of liquidity, thus enabling it to effectively meet its short-term financial obligations and commitments, it is equally crucial to recognize that in specific contextual scenarios, excessively high levels of liquidity might be construed as a potential warning sign that a company is not engaging in the efficient allocation of its financial resources or optimizing the utilization of its assets to their fullest potential. Moreover, this duality in interpretation suggests that stakeholders must exercise caution and rigor in analyzing financial metrics such as the current ratio, as an overly simplistic evaluation may lead to misguided conclusions about a company's operational effectiveness and financial health. Consequently, it becomes imperative for researchers and practitioners in the field of finance to delve deeper into the underlying factors that influence the interplay between liquidity ratios and corporate valuation, thereby fostering a more nuanced understanding of this complex relationship that can better inform decision-making processes. Ultimately, the landscape of financial analysis is replete with variables that necessitate a careful and critical examination, underscoring the importance of context and the multifaceted nature of financial metrics in evaluating corporate performance and value. Hence, a holistic approach that considers a wide range of factors, including industry characteristics and firm-specific strategies, is essential for a comprehensive assessment of the implications of liquidity ratios on corporate valuation.

3.4 The Influence of Debt to Equity Ratio (DER) on Company Value

The Debt-to-Equity Ratio (DER) serves as an indicator of the firm's capital composition and the ratio of financing sourced from debt as opposed to equity. An investigation conducted by Dewi et al. (2024) regarding the technology sector listed on the Indonesia Stock Exchange (IDX) during the period from 2021 to 2023 established that the DER exerts a positive effect on corporate valuation. This finding implies that the judicious utilization of debt can enhance a firm's valuation in the perception of investors. A high DER may convey two distinct messages to potential investors. Should a firm demonstrate proficiency in managing its debt obligations, this scenario presents a favorable signal that may elevate the firm’s valuation. According to the principles of pecking order theory, if a firm opts to utilize retained earnings instead of debt for operational financing, an elevated DER could adversely influence the firm’s valuation as it signifies a reliance on external capital sources.

Research conducted by Octavia and Simatupang (2024) indicates that Debt Equity Ratio (DER) exerts a positive and statistically significant impact on the valuation of firms within the property and real estate domains. In a similar vein, Dewi et al. (2024) identified a favorable correlation between DER and the value of enterprises in the technology sector, suggesting that organizations can effectively leverage their debt to enhance firm value through the advantages afforded by tax shields. Conversely, Bitasari et al. (2024) observe that DER has a detrimental and statistically significant effect on the valuation of firms in the retail sector. This phenomenon arises when debt levels reach excessive heights, consequently elevating financial risk to a detrimental degree. Such disparities underscore the notion that the efficacy of debt utilization in augmenting firm value may be contingent upon the specific industrial sector, the inherent business risk, and the organization's proficiency in managing its financial commitments.

3.5 The Influence of Company Growth on Company Value

The expansion of a corporation is frequently assessed by evaluating the augmentation of sales or assets. Research conducted by Bitasari et al. (2024) demonstrates that an increase in sales exerts a positive and statistically significant effect on the valuation of firms within the retail industry. This finding implies that enterprises exhibiting substantial sales growth are likely to achieve elevated corporate valuations. Conversely, an investigation by Octavia and Simatupang (2024) reveals that corporate expansion adversely and significantly affects corporate value within the property and real estate domains. These divergent outcomes imply that the relationship between a firm's growth and its value may differ based on the growth strategies employed, profitability metrics, and operational efficacy of the organization.

4. CONCLUSION

The results of the study show that ROA and CR have a significant effect on the company's value variables. However, this model is less able to explain the relationship between independent variables and dependent variables due to the low R-squared values. It is necessary to improve the model, either by adding new variables, evaluating the model's assumptions, or trying other more suitable regression methods. Some practical and policy implications that can be considered such that corporate management should focus on increasing profitability, particularly through more efficient asset management. ROA improvement strategies can include improving operational efficiency, optimizing asset utilization, and improvements in financial and investment management. Since DER and GROWTH have no significant effect on this model, companies need to reevaluate their financing and expansion strategies. More selective policies in the use of debt as well as growth investments can help improve overall financial performance. Companies still need to maintain optimal liquidity levels to avoid financial risks. Management must balance liquidity needs with long-term investments to support sustainable growth. Policymakers can provide incentives for companies that can increase profitability through operational

efficiency and innovation. In addition, policies that support transparency of financial statements and access to financing can help companies improve their performance.

Given the low R-squared value in this study, further research can consider the addition of other variables that have the potential to have a greater impact on dependent variables, such as capital structure, operational efficiency, or external factors such as macroeconomic conditions. To obtain more accurate results, future research may try to use other regression methods, such as the Fixed Effect Model (FEM) or the Generalized Method of Moments (GMM), which may be more appropriate in capturing relationships between variables. This study only used a limited sample of certain companies. Subsequent studies can expand the scope by researching different industry sectors or comparing results between large and small companies to understand broader dynamics. To understand the impact of financial decisions more deeply, future research could use data over a longer period and consider the effects of market dynamics and changes in economic policy.

REFERENCES

Amarasuriya, S., Burke, G., & Hsu, T. K. (2024). Operational Competitiveness and the Relationship between Corporate Environmental and Financial Performance. Journal of Risk and Financial Management, 17(8), 364. https://doi.org/10.3390/jrfm17080364

Baroroh, N., Farkhani, L., Khafid, M., & Ishlasul Amal, D. M. (2024). The Influence of Company Growth, Profitability, and Free Cash Flow on Company Value with Dividend Policy as Moderating Variable (An Empirical Study on Manufacturing Companies Listed on the Indonesia Stock Exchange from 2018-2020). KnE Social Sciences. https://doi.org/10.18502/kss.v9i4.15109

Bitasari, I., Puspita, E., & Astuti, P. (2024). Pengaruh ROA, DER, CR dan Pertumbuhan Penjualan terhadap Nilai Perusahaan pada Perusahaan Sektor Ritel yang Terdaftar di BEI. Jurnal Riset Akuntansi & Keuangan, 10(2), 191–204.

Dewi, S. K., Setiono, H., & Ilmidavviq, M. B. (2024). Pengaruh ROA, CR dan DER Terhadap Nilai Perusahaan pada Sektor Teknologi. Akuntansi, 3(3), 38–49.

Fany'mah, H., & Akhiruddin, A. (2024). Pengaruh ROA, DER dan CR terhadap Harga Saham pada Perusahaan Sektor Industri Barang Konsumsi yang Terdaftar di BEI Tahun 2019-2023. Journal of Applied Management Studies, 5(2), 224–237.

Granath, D., & Thorsell, P. (2015). Leverage and how it affects shareholder value. https://gupea.ub.gu.se/bitstream/2077/38480/1/gupea_2077_38480_1.pdf

Hakim, F. (2024). Pengaruh Likiuditas, Profitabilitas, Kecukupan Modal dan Resiko Kredit terhadap Nilai Perusahaan. Al-Tsaman., 6(02), 63–70. https://doi.org/10.62097/al-tsaman.v6i02.1500

Hidayat, R., & Wijaya, A. S. (2019). Pengaruh struktur hutang, struktur aktiva dan struktur modal terhadap kinerja perusahaan pada perusahaan tekstil dan garment yang terdaftar di Bursa Efek Indonesia periode 2015-2018. JEM Jurnal Ekonomi dan Manajemen, 5(2), 133-148.

Ichwanudin, W., Mulyani, A. S., Ichwanudin, W., & Anwar, C. J. (2025). Improving firm value: The role of profitability-liquidity trade-off. International Journal of Applied Economics, Finance and Accounting, 21(1), 112–121. https://doi.org/10.33094/ijaefa.v21i1.2112

Irnawati, J., Saqina, R., & Suryanto, W. (2024). The Influence of Company Growth, Funding Decisions, and Dividend Policy on Firm Value. International Journal of Educational and Life Sciences, 2(8), 1051–1062. https://doi.org/10.59890/ijels.v2i8.2335

Kandror, K. (2023). Does leverage create value? (pp. 15–44). Edward Elgar Publishing eBooks. https://doi.org/10.4337/9781035302031.00005

Kim, P., Lee, S. H., & Moon, J. (2024). Evaluating the operational efficiency of NBA teams on franchise value: An assessment of data envelopment analysis. PLOS ONE, 19. https://doi.org/10.1371/journal.pone.0297797

Lestari, A. S. A., & Suhardi, S. (2020). Pengaruh Keputusan Investasi, Ukuran Perusahaan, dan Profitabilitas Terhadap Nilai Perusahaan Pada Perusahaan Food and Beverage yang Terdaftar di Bursa Efek Indonesia. JEM: Jurnal Ekonomi Dan Manajemen STIE Pertiba Pangkalpinang, 6(1), 60-73.

Mignenan, V., & Nandingar, S. M. (2024). Efficiency in Production Operations Management: Impact on Corporate Competitiveness and Strategic Positioning. International Journal of Business Administration, 15(4), 56. https://doi.org/10.5430/ijba.v15n4p56

Misrah, M., & Arifin, A. (2024). Relationship of Financial Leverage on Investment Decisions And Firms' Value: Evidence

From Indonesian Manufacturing Companies. JAS (Jurnal Akuntansi Syariah), 8(2), 184–202. https://doi.org/10.46367/jas.v8i2.1897

Noah, A. (2017). The Relationship between Operational and Market Efficiency Improvement Towards Financial Performance. Social Science Research Network. https://doi.org/10.2139/SSRN.3089244

Nuryaman, N., Kartadjumena, E., & Hadi, D. (2024). The Influence of Moderation Leverage on The Relationship Between Profitability and Firm Value. Jurnal Ekonomi, Bisnis Dan Entrepreneurship, 18(1), 137–151. https://doi.org/10.55208/vee0ch46

Nurjanah, T., Suhardi, S., & Afrizal, A. (2019). Pengaruh Current Ratio, Return on Asset, dan Earnings Per Share terhadap Harga Saham Studi Kasus pada Perusahaan Pertambangan Subsektor Batubara yang Terdaftar di Bursa Efek Indonesia Tahun 2014-2018. Jurnal Ekonomi Manajemen, 6(2), 1-15.

Obeidat, M. I., & Almomani, M. A. (2023). The Moderating Impact of Major Shareholding of Equity on Operational Performance Efficiency and Firm Value Relationship: The Evidence of the Manufacturing Listed Firms at ASE. Wseas Transactions on Business and Economics, 20, 1408–1421. https://doi.org/10.37394/23207.2023.20.125

Odhiambo, J. D., Murori, C. K., & Aringo, C. E. (2024). Financial Leverage and Firm Performance: An Empirical Review and Analysis. East African Finance Journal, 4(1), 25–35. https://doi.org/10.59413/eafj/v4.i1.2

Octavia, A., & Simatupang, J. (2024). Pengaruh Return on Asset (ROA), Debt to Equity Ratio (DER), dan Pertumbuhan Perusahaan terhadap Nilai Perusahaan. Jurnal Widya, 5(2)

Pratt, W. R., Barboza, G., & Brigida, M. (2023). Leverage and firm value. Economic Notes, 52(2). https://doi.org/10.1111/ecno.12218

Putri, I. S., & Sutopo, B. (2024). Company Growth and Profitability in Corporate Value with Environmental Disclosure as a Moderation in Oil, Gas and Coal Companies. Owner: Riset Dan Jurnal Akuntansi. https://doi.org/10.33395/owner.v8i4.2345

Putri, I. A. J. (2023). The Effect of Growth, Intellectual Capital, and Financial Performance on Firm Value. JPPI (Jurnal Penelitian Pendidikan Indonesia). https://doi.org/10.29210/020233026

Sari, A. G. P., & Ghoniyah, N. (2024). Peran Leverage dan Profitabilitas dengan Kebijakan Deviden sebagai Variabel Moderasi terhadap Nilai Perusahaan. Economic Reviews Journal, 3(4). https://doi.org/10.56709/mrj.v3i4.520

Sari, L., & Syahzuni, B. A. (2024). Pengaruh struktur modal, likuiditas, dan ukuran perusahaan terhadap nilai perusahaan. Jurnal Riset Akuntansi Politala, 7(3), 723–732. https://doi.org/10.34128/jra.v7i3.400

Septiani, S. R., Sanusi, F., & Khaerunnisa, E. (2024). The Effect of Leverage on Company Value with Dividend Policy as a Mediating Variable and Business Risk as a Moderating Variable. 2(4), 117–126. https://doi.org/10.69693/ijim.v2i4.213

Song, I., Kani, I., & Kachani, S. (2014). An Efficiency-Based Approach to Stock Selection. Social Science Research Network. https://doi.org/10.2139/SSRN.2626657

Wang, C., & Rowe, W. (2009). Do changes in managerial ownership matter. Corporate Ownership and Control, 6(3), 371–387. https://doi.org/10.22495/COCV6I3C3P3

Yolanda, N., Izzati, D., Zahrani, V., Delani, M., & Azzahra, A. S. (2024). The Effect of Profitability and Liquidity on The Value of Non-Cyclical Consumer Sector Companies Listed on The Indonesia Stock Exchange (IDX) In 2019-2023. Jurnal Akuntansi, Manajemen, Dan Perencanaan Kebijakan, 2(2), 11. https://doi.org/10.47134/jampk.v2i2.515

Yuliana, S., Fatmala, E., Adiansyah, N. P., Haryadi, D., & Wahyudi, W. (2024). Operating costs and profitability to company value. International Journal of Applied Finance and Business. https://doi.org/10.35335/ijafibs.v11i4.247

Yousefi, H., Yung, K., & Najand, M. (2023). From low resource slack to inflexibility: The share price effect of operational efficiency. International Review of Financial Analysis, 90, 102927. https://doi.org/10.1016/j.irfa.2023.102927